

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LOUISVILLE GAS AND)	
ELECTRIC COMPANY FOR AN ORDER)	
APPROVING AN ACCOUNTING ADJUSTMENT TO)	CASE NO.
BE INCLUDED IN EARNINGS SHARING)	2003-00426
MECHANISM CALCULATIONS FOR 2003)	

AND

APPLICATION OF KENTUCKY UTILITIES)	
COMPANY FOR AN ORDER APPROVING AN)	
ACCOUNTING ADJUSTMENT TO BE INCLUDED)	CASE NO.
IN EARNINGS SHARING MECHANISM)	2003-00427
CALCULATIONS FOR 2003)	

FIRST DATA REQUEST OF COMMISSION STAFF
TO LOUISVILLE GAS AND ELECTRIC COMPANY
AND KENTUCKY UTILITIES COMPANY

Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU"), pursuant to 807 KAR 5:001, are requested to file with the Commission the original and 5 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before December 10, 2003. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information herein has been previously provided, in the format

requested herein, reference may be made to the specific location of said information in responding to this information request.

1. LG&E and KU state that their Asset Retirement Obligations (“ARO”) are primarily related to environmental requirements for the final retirement of facilities such as ash ponds and coal piles.

a. For each utility, provide a schedule listing each asset associated with that utility’s AROs.

b. Are any of the assets associated with the AROs currently included in LG&E’s or KU’s environmental surcharge? If yes, indicate the assets included in the respective environmental surcharge.

c. Describe the impacts, if any, the adoption of Statement of Financial Accounting Standards (“SFAS”) No. 143 will have on the utilities’ monthly environmental surcharge filings.

2. The Federal Energy Regulatory Commission (“FERC”) stated in its April 9, 2003 decision in Docket No. RM02-7-000, Order No. 631, pages 13 and 14, that,

The amounts for depreciation and accretion expense that will be recognized under the general requirements of the Uniform Systems of Accounts and the amount of asset retirement obligation costs included in cost of service for ratemaking purposes may be different. Recognition of such differences as regulatory assets and liabilities may be appropriate in some instances, but not in others. This determination however cannot be made in a generic accounting ratemaking proceeding. It must instead be made by each individual entity taking into consideration the jurisdictional entity’s rate setting bodies, the specific agreements entered into between the jurisdictional entity and certain customers regarding the manner in which costs will be allocated among the parties or other relevant evidence. Therefore, if the requirements of Order No. 552 are met, a jurisdictional entity must recognize regulatory assets and liabilities for the cumulative effect adjustment and any differences between the recognition of asset retirement obligation expenses for financial accounting purposes and their recovery in rates.

Refer to page 5 of the Applications. LG&E and KU state that each has recorded offsetting regulatory assets in conjunction with the adoption of SFAS No. 143.

a. Were LG&E and KU required to seek FERC approval for the creation of the offsetting regulatory assets?

(1) If yes, indicate when LG&E and KU sought and secured the FERC's approval.

(2) If no, explain why FERC approval was not sought or required.

b. Were LG&E and KU aware that the Commission requires utilities to secure its approval prior to the creation of regulatory assets or liabilities? Explain the response.

c. Are LG&E and KU seeking the Commission's approval to establish the offsetting regulatory assets as part of this proceeding? Explain the response.

3. Refer to pages 5 and 6 of the Applications.

a. Is it correct that the cumulative effect adjustments will affect LG&E's and KU's Earning Sharing Mechanism ("ESM") calculations for 2003 only? If other years are affected, describe the impacts.

b. Provide an example of the adjustment LG&E and KU would propose to include in the calendar year 2003 ESM calculations that would offset the amounts recorded in Account No. 407 with the amounts included in Account No. 435.

c. Instead of including an offset for the cumulative effect adjustments in the calendar year 2003 ESM, would the same effect be achieved by excluding the above-the-line balance in Account No. 407? Explain the response.

4. Refer to Exhibit 1 of the Applications.

a. Indicate when LG&E and KU recorded the entries shown in Application Exhibit 1 on their books.

b. For each utility, prepare a series of "T-Accounts" that reflect all the entries required at the implementation of SFAS No. 143. Include a separate "T-Account" for each account number shown in the entries and explanatory notes in Application Exhibit 1.

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", is positioned above a horizontal line.

Thomas M. Dorman
Executive Director
Public Service Commission
Post Office Box 615
Frankfort, KY 40602-0615

DATED: December 5, 2003

cc: All Parties